

Message Text

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ACTION EUR-10

INFO OCT-01 SS-14 ISO-00 NSC-07 NSCE-00 CIAE-00 INR-10

NSAE-00 RSC-01 TRSE-00 FRB-01 EB-03 SPC-01 OMB-01

PRS-01 L-02 NEA-06 FEA-01 COME-00 AGR-03 DRC-01 /063 W

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R 051026Z MAR 74

FM AMEMBASSY BONN

TO AMEMBASSY LUXEMBOURG

INFO SECSTATE WASHDC 0859

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

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C O N F I D E N T I A L SECTION 01 OF 02 BONN 03474

LIMDIS

DEPT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: GDS

TAGS: EFIN, GW

SUBJECT: COMMENTS BY FINANCE MINISTRY STATE SECRETARY
POEHL

SUMMARY: DURING MY MARCH 1 MEETING WITH FINANCE
MINISTRY STATE SECRETARY POEHL ON ANOTHER MATTER, HE
MADE SOME RANDOM COMMENTS ON A NUMBER OF SUBJECTS OF
CURRENT INTEREST AND RELEVANCE: THE PRICE OF GOLD,
GOLD SALES BY CENTRAL BANKS, AND THE CURRENT MALAISE
IN THE EUROPEAN COMMUNITY. END SUMMARY

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1. GOLD PRICE: POEHL SAID THAT THE RECENT GOLD MARKET

BEHAVIOR WAS LARGELY DUE TO SPECULATIVE BUYING AND HE DID NOT ATTRIBUTE PARTICULAR SIGNIFICANCE TO THE EXTREME PRICE INCREASES AND GYRATIONS. HE SAID THAT CENTRAL BANKS WHICH WERE HOLDING SUBSTANTIAL GOLD RESERVES COULD EASILY EFFECT A SUBSTANTIAL LOWERING OF THE PRICE BY SELLING ON THE OPEN MARKET. BUT GOVERNMENTS, AS FOR EXAMPLE THE FRENCH, WERE IN REALITY NOT INTERESTED IN REDUCING THEIR GOLD RESERVES BY SELLING, EVEN AT THE PRESENT HIGH FREE MARKET PRICES, TO PAY FOR THE INCREASED BILL FROM OIL IMPORTS. THEY ARE MORE INTERESTED IN AN UPWARD VALUATION OF THEIR RESERVES SO THAT THEY MAY BE BETTER ABLE TO OBTAIN LARGE INTERNATIONAL CREDITS. THE FRG IS NOT OPPOSED IN PRINCIPLE TO INCREASING THE OFFICIAL PRICE OF GOLD, WHICH WOULD ALSO INCREASE THE VALUE OF ITS OWN RESERVES. HOWEVER THE FRG IS OPPOSED TO ANY MOVE IN THIS REGARD WITHOUT A CONCERTED AGREEMENT WITH WASHINGTON.

2. GOLD SALES: ON THE SUBJECT OF THE MEANS FOR PAYING FOR INCREASED OUTLAYS FOR OIL IMPORTS, POEHL SAID THAT THE FRG IS PLANNING TO INTRODUCE A PROPOSAL IN THE EC FINANCE COMMITTEE TO PERMIT THE SALE OF GOLD FROM CENTRAL BANK RESERVES AT MARKET-RELATED PRICES TO THE "HEADS OF STATE" (SUCH AS THE SHEIKH OF KUWAIT) OF CERTAIN OIL-PRODUCING COUNTRIES, BUT NOT TO THEIR CENTRAL BANKS, THUS DRAWING A DISTINCTION BETWEEN THE INDIVIDUAL (AS THE GOLD BUYER) AND THE STATE ENTITIES (CENTRAL BANKS), A DISTINCTION WHICH POEHL REGARDED AS MORE FICTICIOUS THAN REAL. HE THOUGHT THAT TO THE EXTENT THAT THESE OIL POTENTATES ARE INTERESTED IN OBTAINING GOLD IN EXCHANGE FOR THEIR "BLACK GOLD", THEY CAN BE ACCOMMODATED WITHOUT THE GOLD-SELLING CENTRAL BANKS VIOLATING THE CURRENTLY BINDING RULE TO TRANSFER GOLD BETWEEN CENTRAL BANKS ONLY AT THE OFFICIAL PRICE.

3. EUROPEAN COMMUNITY: COMMENTING ON THE CURRENT "STATE OF HEALTH" OF THE EUROPEAN COMMUNITY, POEHL SAID THAT THE BUFFETING THAT THE COMMUNITY HAS EXPERIENCED

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OF LATE HAS MORE THAN EVER REVEALED IT TO BE A "FAIR-WEATHER" COMMUNITY. IT HAS NOT BEEN ABLE TO RISE MUCH ABOVE THE LEVEL OF A CUSTOMS UNION (POEHL ADDED PARENTHETICALLY -- SO WAS EFTA) AND TO EXPAND BEYOND THE CAP, WHICH HE TERMED A EUROPEAN AGRICULTURAL CARTEL TO KEEP UP FARM PRICES AND INCOMES. HE DECRIED THE LACK OF REAL POLITICAL WILL TO YIELD NATIONAL SOVEREIGNTY BY MEMBER COUNTRIES AND TO RISE ABOVE

NARROW NATIONAL ECONOMIC INTERESTS. HE SINGLED OUT ITALY, FOLLOWED BY THE UK, FOR NOT SEEKING AND ACCEPTING A CONCERTED SOLUTION TO THEIR ECONOMIC PROBLEMS, WHICH WOULD HAVE KEPT THEM IN THE MONETARY SNAKE. THE MORE RECENT DECISION OF FRANCE TO ABANDON THE SNAKE, EVEN THOUGH THE ECONOMIC PRESSURES WERE NOT COMPELLING FOR HER TO DO SO, WAS A PARTICULARLY CRASS EXAMPLE OF ECONOMIC NATIONALISM. THE FRENCH INTRANSIGENCE AT THE WASHINGTON ENERGY CONFERENCE WAS

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 03474

LIMDIS

A CHALLENGE TO THE OTHER COMMUNITY MEMBERS, WHO HAVE REPEATEDLY TRIED "TO BUILD GOLDEN BRIDGES" FOR MR. JOBERT TO CLIMB BACK FROM HIS LONE, EXPOSED POSITION.

IN LIGHT OF THESE LATEST TRENDS AND DEVELOPMENTS
WITHIN THE COMMUNITY, POEHL SAID, THERE IS NO
DISPOSITION IN THE FRG TO GO BEYOND ITS LAST OFFER ON
THE REGIONAL FUND.

4. COMMENT: SURVEYING THE GENERAL MALAISE IN THE
DOMESTIC POLITICAL AND FOREIGN ECONOMIC AFFAIRS OF A
NUMBER OF MAJOR EC MEMBER COUNTRIES (THE GOVERNMENTAL
CRISIS IN ITALY, THE THEN -- MARCH 1 -- STILL
UNCERTAIN OUTCOME OF THE BRITISH ELECTION, THE CABINET
RESHUFFLE IN PARIS), THE FRG, BY CONTRAST, AND BY
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INFERENCE FROM WHAT POEHL WAS SAYING, MUST HAVE
APPEARED TO HIM AS A "SEA OF TRANQUILITY". HIS
PESSIMISTIC COMMENTS ABOUT THE DISARRAY IN THE
COMMUNITY HAD AN AIR OF RESIGNATION AND FATALISM.
COMING FROM A SENIOR GOVERNMENT OFFICIAL, WHO IS
PERSONALLY CLOSE TO THE FINANCE MINISTER, A LEADING
AND AMBITIOUS SPD POLITICIAN, THESE VIEWS ARE NOT
WITHOUT SIGNIFICANCE IN AN ASSESSMENT OF CERTAIN
FUTURE FRG POLICIES IN EUROPE.
HILLENBRAND

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